

**TUI TRAVEL PLC**

**TUI Travel Shareholder Loan Refinancing**

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TUI Travel PLC (“TUI Travel”) today announces a number of financing measures that, together with existing facilities, will enable it to refinance its shareholder loan with TUI AG that currently amounts to approximately £900 million. These measures include:

- Raising approximately £440 million of financing through the issue of a convertible bond and additional bank facilities.
- Deferring repayment of £150 million of the shareholder loan beyond the 2011 seasonal peak in net debt (April 2011) as part of a rescheduling of the repayment profile of the loan.

In addition, TUI Travel also announces the creation of a strategic venture with Sunwing, a leading tour operator in the Canadian market, for consideration of approximately £55 million.

Separately, TUI Travel is today issuing a pre-close announcement which confirms that trading is in line with the previous statement issued on 12 August and also contains further information on acquisitions and other strategic initiatives.

**Convertible Bond Issue**

The Group announces today that it intends to offer approximately £300 million of senior unsecured convertible bonds due 2014 (the “Convertible Bonds”) to international institutional investors (the “Offering”), which will be convertible into fully paid ordinary shares of TUI Travel (the “Shares”).

The Convertible Bonds will be convertible into approximately 7 to 8 per cent of the Shares.

Summary of the key terms:

Size	c. £300m
Maturity	October 2014
Coupon	6.00 to 6.75 per cent
Option Premium	28 to 33 per cent above reference share price
Call Option	After 3 years / subject to 130 per cent trigger <sup>1</sup>
Dividend Protection	Partial (see schedule on page 4)

<sup>1</sup> Of conversion price

TUI AG, the Group's majority shareholder which holds or controls approximately 51.6% of the Shares in TUI Travel, will not participate in the Offering. TUI AG intends, however, to maintain its interest in the majority of the Shares and therefore intends to acquire further Shares in the market in order to avoid potential dilution of

its majority interest pursuant to any future exercise of conversion rights under the Convertible Bonds. It is expected that TUI AG will wish to acquire approximately 2.5 per cent of the existing Shares in TUI Travel for this purpose, assuming that the Convertible Bonds will be convertible into Shares equal to 8 per cent of the existing issued Shares. However, if the Convertible Bonds are convertible into a greater or lesser number of Shares, the Shares that TUI AG may wish to acquire may be increased or reduced accordingly to ensure that the total number of Shares to be acquired by TUI AG is sufficient to prevent potential dilution of its majority shareholding. Such acquisitions are expected to commence with immediate effect.

### **Additional Credit Facilities**

TUI Travel has received commitments from a syndicate of five banks to provide additional revolving credit facilities of £140 million, maturing in June 2012. The interest cost on the facilities is LIBOR plus 325 basis points on drawn amounts and there is an upfront arrangement fee of 1%.

### **Amendment to the terms of the Shareholder loan**

TUI Travel's existing shareholder loan from TUI AG currently amounts to approximately £900 million. This is due for repayment by 15 January 2011. Under the terms of the shareholder loan, TUI Travel is required to repay amounts owed in the event that new external finance is raised. TUI Travel and TUI AG have agreed an amendment to the original agreement and TUI AG has agreed to waive in part the mandatory repayment obligation. A new repayment schedule has also been agreed as set out below, including a deferral of a final payment of £150 million until after our 2011 seasonal peak in net debt<sup>1</sup>:

30 September 2009	£92 million
1 April 2010	£229 million
1 December 2010	£467 million <sup>2</sup>
30 April 2011	£150 million

<sup>1</sup> Actual repayments are in Euro; sterling figures are approximate

<sup>2</sup> Adjusted for any further movements in the balance due prior to that date

In addition to the refinancing raised today, the remainder of the shareholder loan will be repaid using existing cash and bank facilities.

### **Acquisitions**

As well as refinancing the shareholder loan, the raising of financing will allow us to continue our successful acquisition strategy. In the current financial year, we have spent c.£120 million on 14 acquisitions and joint ventures and will spend a further c.£55 million creating the strategic venture in Canada which we have announced today. Further information on this transaction is provided in a separate Pre-Close Trading Update announcement.

## Conference Call

A conference call for analysts and investors will take place today at 9.30am (BST).  
The dial-in arrangements for the call are as follows:

Telephone: +44 (0) 1452 555 566  
Participant Code: 32839622

A recording of the conference call will be available on:

Telephone: +44 (0) 1452 550 000  
Participant Code: 32839622#

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### **Further information on the convertible bond**

The Convertible Bonds will be issued at 100% of their principal amount and unless previously redeemed, converted or purchased and cancelled, will mature on the fifth anniversary of the issue of the Convertible Bonds in 2014. The issuer will have the option to call the Convertible Bonds after three years from issuance at the principal amount, together with accrued interest, if the market price of the shares deliverable on conversion of the convertible bonds would exceed 130 per cent of the principal amount of the Convertible Bonds over a specified period.

The final size and final terms of the Offering will be determined at the time of pricing (expected to be later today), with closing and settlement expected on or about 5 October 2009.

The Convertible Bond issue is subject to an increase option in line with common market practise and is targeting institutional investors outside interalia, the United States.

The Convertible Bonds are expected to carry a coupon of between 6.00% and 6.75% per annum payable semi-annually in arrear, and the conversion price is expected to be set at a premium of between 28% and 33% to the volume weighted average price of the Shares from launch to pricing.

A partial dividend protection schedule will be in place based on the 2008 full year dividend of 9.7p plus c. 8% growth to 10.5p in 2009 and 5% per annum thereafter for the remainder of the term.

TUI Travel has appointed Deutsche Bank, HSBC, RBS Hoare Govett Ltd, Société Générale Corporate & Investment Banking and UniCredit Group as joint bookrunners.

Lazard has acted as the TUI Travel's independent financial advisor on this transaction.

Application will be made for the Convertible Bonds to be admitted to listing on the Official List of the UK Listing Authority and admitted to trading on the Professional Securities Market of the London Stock Exchange.

### **General information**

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